DAILY NEWS
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Gold in moderation

Don't get blinded by bling

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Gold has been heading up over the last few weeks, hitting $619.30 yesterday. Is now the time to get in on the gold rush?

Not so fast.

Pundits are throwing out glittering predictions about where gold is headed. Some see the precious metal surging to $800 or even higher within a matter of months as a weak dollar and inflation fears stoke the next bull run.

But if you're investing for the long term, proceed cautiously. In spite of gold's run-up, which took it to a recent high of $725 in May, it is still considered a volatile investment, evidenced by its roller coaster performance over the last three decades.

Gold does have a place in your portfolio as a hedge against inflation, though it should be relatively small, about 5%, financial planners say.

"Be sure you have the money, the time, and the patience to wait out what might happen to the gold market," said Thomas Schneider of the Financial Consulting Group in Farmington, Conn.

"The S&P should be your main dish and gold and other commodities can be the extravagant, but modestly sized dessert," said financial planner Charles Failla.

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Jose Gutierrez considered investing a large amount of money in gold until his financial adviser discouraged the idea.

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Golden rule: Invest 5% in glittering

Time your purchases wisely. In spite of predictions that gold will head higher, Leonard Kaplan, president of Prospector Asset Management, sees gold going in the opposite direction in the near term.

metal.

"It would appear the bull market is taking a break," Kaplan said. "We will probably track sideways to lower."

His price target: $460 to $480 over the next 12 to 18 months. "In my opinion $700 will happen," Kaplan added. "But first we'll go lower."

It's easy to see why many are dazzled by gold. The fabled commodity began its latest bull run at $256 an ounce in April of 2001.

Pumped up by hedge funds, over the last five years, gold has more than doubled in price, far outrunning the S&P 500's 25% gain over the same period.

The commodity generally does better when the dollar is weak, inflation is high, and the market is seeking a safe haven in the face of geopolitical turmoil.

Gold's surge recently prompted Jose Gutierrez, a 28-year-old business consultant for Capital One, to start thinking about investing 30% of his assets in the commodity. His goals: saving for a family and retirement.

Gutierrez' financial planner, John Deyeso, thought otherwise.

"He was looking to get rich quick," Deyeso said. "We led him toward a less speculative investment" in several Vanguard mutual funds.

Before investing in gold, ask youself several questions.

"Are you trying to make a quick profit or is this for the long haul?" Deyeso said. "Determine your maximum loss threshold."

Buying gold should be viewed more as insurance policy to hedge against inflation, as opposed to a means of scoring a quick buck, Kaplan said.

Take the time to understand the different ways of buying gold. A good place to start is the World Gold Council's Web site, www.gold.org.

Options include buying gold coins, exchange traded funds - such as streetTracks Gold Shares (GLD) - gold stocks and gold mutual funds.

Among the top gold mining stock picks of John Doody, editor of Goldstockanalyst.com are Goldcorp. (GG), Yamana Gold (AUY) and Kinross Gold (KGC).

But don't just buy one stock, Doody cautions. "You need to diversify the risk," he said.

Failla prefers his clients to have no direct exposure to gold. Instead, he recommends diversified commodities baskets.

"Gold is like technology," he said. "Go in cautiously. Don't load the boats."

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